

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1939
ANSWERED ON:24.08.2007
TAX EXEMPTION TO RRB
Patel Shri Kishanbhai Vestabhai;Singh Shri Sugrib

Will the Minister of FINANCE be pleased to state:

- (a) the details of tax concessions available to Regional Rural Banks (RRBs) ;
- (b) whether RBI has appointed any task force on RRBs ;
- (c) if so, whether the task force has recommended to restore tax concessions to RRBs; and
- (d) if so, the action taken by the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMANICKAM)

(a) Section 36(1)(viiia) of the Income-tax Act, provides for deduction to, inter-alia, Regional Rural Banks (RRBs) on account of any provision for bad and doubtful debts, of an amount not exceeding 7.5% of the gross total income and 10% of the aggregate average advances made by its branches.

Further, section 36(1)(viii) of the Income-tax Act allows RRBs a deduction of up to 20% of the amount carried to the reserve account in respect of any special reserve created and maintained by such banks, subject to conditions specified therein

(b) Yes, sir. The Reserve Bank of India (RBI) set up the Task Force on Empowering of RRB Boards for Operational Efficiency, on 11.9.2006.

(c) The Task Force has recommended that the tax benefits under section 80P of the Income-tax Act may be continued for a further period of five years or till the restructuring process of the RRBs is completed, whichever is earlier, in view of the high cost of operations in rural areas and the fact that RRBs as a separate rural credit system are yet to consolidate,

(d) The Report is still under the consideration of the RBI. The Government will examine the recommendations contained in the report only after receipt of the views of the RBI.